



Congress of the United States
House of Representatives
Washington, DC 20515

September 28, 2018

WASHINGTON, DC OFFICE
1229 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225-2506
FAX: (202) 225-5903
CONWAY DISTRICT OFFICE
1105 DEER STREET, SUITE 12
CONWAY, AR 72032
PHONE: (501) 358-3481
FAX: (501) 358-3494
LITTLE ROCK DISTRICT OFFICE
1501 NORTH UNIVERSITY AVENUE, SUITE 630
LITTLE ROCK, AR 72207
PHONE: (501) 324-5941
FAX: (501) 324-6029

The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce
1401 Constitution Ave NW
Washington, DC 20230

The Honorable Robert Lighthizer
Ambassador
U.S. Trade Representative
600 17th Street NW
Washington, DC 20006

Dear Secretary Ross and Ambassador Lighthizer:

I write to you today to present my thoughts on the administration's current trade strategy and to suggest a pivot on the approach of steel and aluminum tariffs. Further, I propose that you consider beginning a bilateral structural impediments working group.

I understand that China's mercantilist, protectionist economic policy is a big challenge. Opening up new markets for American exports and removing barriers to American goods and services is hard work. I know it's hard work because in the late 1980s and early 1990s I was on the front lines of trade deals during my time as a Deputy Assistant Secretary of Treasury, working to open up new markets for American exports and remove barriers to American goods and services.

For two years, I participated in the Structural Impediments Initiative (SII) talks between the United States and Japan where our goal was to remove the principal nontariff barriers to Americans goods and services entering Japan. During those talks we fought back against nontariff, protectionist ideas, such as that American-made skis won't work on Japanese snow or that Japanese citizens won't buy anything in a store that is larger than 6000 sq. ft. Through hard work and give-and-take with our Japanese friends and allies, we were able to make progress on removing barriers and increasing America's access to the large market of Japan.

Pivot on Approach to Steel and Aluminum Tariffs

The part of the administration's trade reset that I find the most out of sequence is the proposal for "across-the-board" sanctions on steel and aluminum imports citing national security protections under Section 232 of the 1962 Trade Expansion Act.

The president wants to enhance domestic production of steel and aluminum and he believes a vibrant steel and aluminum industry are integral to national security. Americans agree. I believe targeted tariffs are appropriate and, again, they should target the principal bad actors in the global steel and aluminum industry instead of an across-the-board approach, which hurts U.S. domestic intermediate goods manufacturers the most. According to the U.S. Department of Commerce's study completed for Section 232, the principal global bad actor in this regard is China.

Therefore, I believe the administration should amend its steel and aluminum tariff policy as follows:

First, target steel and aluminum tariffs solely against those select products and those select countries that are dumping their products in the United States (our friends in the European Union face the same issue).

The administration has cited concerns about false labeling or transshipments to avoid the steel and aluminum tariffs, hence the across-the-board strategy. The developed world already has regulations in opposition to false labeling or transshipment. This Spring Canada updated their regulatory guidance and the Organisation for Economic Co-operation and Development (OECD) has an extensive monitoring group for this challenge. I encourage the administration to tackle the risk of false labeling or illegal transshipments of steel and aluminum to the United States through a third country by aggressive regulatory action and coordinated trade sanctions. We also can work with our trading partners to crack down, publicly report, and block this type of bad behavior.

Second, I don't believe that steel and aluminum manufactured in Canada present a valid national security concern under the 1962 Trade Expansion Act, and I believe that it is an overreach in regard to the interpretation of this act.

In the interim, I would encourage the Commerce Department to become much more aware of those imported steel and aluminum components that are not made in the United States *under any likely scenario* and exclude them from tariffs. This will be advantageous to American producers of intermediate goods as well as to American consumers.

It will reduce the regulatory burden that the steel and aluminum tariffs have imposed on many small businesses, including some of our Arkansas manufacturers. There are currently 21,000 product exclusion requests pending. The Commerce Department's exclusion process hasn't worked, and I believe there is plenty of evidence that this across-the-board approach should be modified.

The chart on the following page represents the top 15 congressional districts in total number of tariff exclusion requests made. This shows that the impacts of tariffs affect districts represented by members of both parties. There is high potential for negative consequences on manufacturing in these districts, and the more than 200 congressional districts that also had firms make exclusion requests, if the administration does not change course. The information included in the chart is current as of September 7, 2018, and comes from the Commerce Department.

Republican Districts				Democrat Districts			
State and District	Total Exclusion Requests	Number of Firms	Member	State and District	Total Exclusion Requests	Number of Firms	Member
IL-06	2595	4	Peter Roskam	CA-14	1344	1	Jackie Speier
SC-03	1254	6	Jeff Duncan	IL-03	545	2	Daniel Lipinski
TX-07	944	18	John Culberson	CA-35	458	3	Norma Torres
MI-11	843	14	Dave Trott	IL-08	421	11	Raja Krishnamoorthi
OH-16	686	4	James Renacci	CT-05	392	2	Elizabeth Esty
IN-09	527	3	Trey Hollingsworth	IL-05	390	2	Mike Quigley
MI-07	519	6	Tim Walberg	IL-10	327	2	Bradley Schneider
IN-06	453	11	Luke Messer	PA-13	318	4	Brendan Boyle
WI-05	428	5	James Sensenbrenner	CA-26	274	4	Julia Brownley
MO-02	395	6	Ann Wagner	TX-09	261	6	Al Green
OH-14	329	4	David Joyce	PA-01	226	1	Robert Brady
MI-03	299	2	Justin Amash	NJ-06	209	2	Frank Pallone Jr.
KY-01	298	6	James Comer	IL-02	193	2	Robin Kelly
OH-08	223	4	Warren Davidson	NY-17	185	2	Nita Lowey
GA-06	219	2	Karen Handel	OH-11	181	10	Marcia Fudge

Finally, I would encourage you to initiate a steel and aluminum trade action against those producers that are known dumpers of steel and aluminum on the global market and press them with the joint trading power of the United States, the EU, Japan, Canada, and our other global economic allies. That means challenging China's excess steel and aluminum capacity and government subsidies.

Proposal for a Bilateral Structural Impediments Working Group

In the late 1980s our trade relations with Japan were under severe pressure by virtue of exchange rates and trade imbalances. The afore mentioned SII talks were a part of a serious economic reset with Japan.

The Honorable Wilbur Ross
The Honorable Robert Lighthizer
September 28, 2018
Page 4 of 4

As the president prepares for the G-20 meeting in December of this year, I urge the president to propose a mutually beneficial bilateral set of talks to address: tariff and non-tariff barriers; protection of non-border investment rules; intellectual property protections; and assurance of trade rules with the impositions of sustained tariffs and compliance. By arguing diplomatically for a mutually beneficial set of talks, the administration stands a better probability of meaningful success. China must understand the alternative is American businesses leaving their market and their workers being hurt by declining sales due to harsh tariffs.

The Congress is charged by the Constitution with the responsibility for regulating commerce between foreign nations and the setting of tariffs rates. Like the good work done on tax reform and regulatory reform, the administration should better collaborate with Congress on a successful trade policy that will create a coalition of our allies to push back against China. This ultimately will achieve the president's goals while producing more exports for our economy, giving American consumers more competitive prices, enhancing manufacturing here at home, and prying open closed markets in China and elsewhere.

Sincerely,

A handwritten signature in blue ink, appearing to read "French Hill", is centered below the word "Sincerely,".

French Hill
Member of Congress

Cc: The Honorable Paul D. Ryan
The Honorable Kevin Brady
The Honorable Larry Kudlow
The Honorable Mick Mulvaney